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SUBJECT: Sudan's Strategic Commodity Reserve Authority

Ref: Khartoum 0939

Summary and Comment

¶1. On April 19, 2006, a USAID food security representative met with Badawi El Khair, Director General of Sudan's Strategic Commodity Reserve Authority (SCRA), and Ahmed Mardas, head of the SCRA marketing section, to discuss the agency's ongoing efforts to maintain food security in Sudan. The SCRA, which was established in late 2000, is a Government of National Unity (GNU) mechanism to stabilize grain prices over the annual agricultural production cycle by maintaining a national cereal reserve in order to implement a floor price policy of market intervention.

¶2. In 2005, the SCRA claims to have distributed 270,000 metric tons (MT) of grain throughout Sudan. (Note: USAID food security analyst can neither confirm nor deny the accuracy of this claim. End note.) The SCRA does not currently coordinate its grain distribution operations with donors, the U.N. World Food Program (WFP), or international non-governmental organizations (NGOs) providing food assistance in Sudan. The international humanitarian community should open a dialogue with the SCRA to gain visibility on SCRA's regional food distributions in order to improve food security for the people of Sudan. End summary and comment.

SCRA Grain Purchases

¶3. The role of the Strategic Grain Reserve is to serve as a price stabilization mechanism for the country. Each year the reserve enters the marketplace and buys sorghum after the harvest. The sorghum is then held and released into selected markets, or even distributed at times for free, at the discretion of the government. The international community consistently has questioned why this mechanism is not used for to fill gaps in international food aid pipelines or contribute to humanitarian programs in Sudan.

¶4. This year, the SCRA plans to procure 500,000 metric tons (MT) of sorghum at a floor price of Sudanese Dinars (SD) 5,000 per 90 kilogram (kg) sack for a total cost of SD 25 billion, or USD 11 million. Of the 500,000 MT total, SCRA will purchase only 150,000 MT of sorghum directly from producers. SCRA will buy the remaining 350,000 MT of sorghum through a consortium of banks (150,000 MT) and private investors (200,000 MT) who will each retain a margin of profit from their grain sales to the strategic grain reserve.

¶5. According to an SCRA official, the office recently received funding from the GNU Ministry of Finance and has deployed purchasing teams to six of Sudan's large mechanized farming areas to begin the procurement process: Gedarif, Ed Damazine, Sennar, Habila in Southern Kordofan State, Er Renk in Upper Nile State, and Kosti. SCRA officials have clearly stated that they cannot afford to buy sorghum at a price above SD 5,000 per 90 kg sack. Though recent grain prices in Sudan have fluctuated from SD 4,600 to SD 5,100, SCRA is expecting sorghum prices to decline as a result of decreasing demand created by the culling of birds in response to Sudan's recent outbreak of avian influenza. Sorghum is used as an ingredient of chicken feed by many large producers.

Use of Strategic Reserve in Humanitarian Crisis Areas

¶6. Darfur: According to the SCRA, Darfur currently has the lowest cereal prices in Sudan due to local humanitarian aid distributions by the international

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community. The average price of a 90 kg sack of sorghum in Darfur is SD 4,000, 20 percent lower than the country-wide average of SD 5,000. Given these low prices, it is unlikely that the SCRA will distribute food in Darfur.

¶7. Kassala and Red Sea States: Each month, the SCRA contributes 1,800 MT of sorghum to Kassala State and 2,250 MT to Red Sea State. In March, as the hunger season advanced, SCRA contributed 6,840 MT to Kassala State and 9,000 MT to Red Sea State, according to the SCRA official. It is unclear how this food is actually distributed. When a USAID team visited Kassala from April 20 to 23 (septel), local humanitarian workers said that SCRA food distributions are often used as a political, rather than a humanitarian, tool. WFP's food distribution system in eastern Sudan targets over 190,000 people with 17,000 MT of food.

Commentary

¶8. Constraints/Limitations: SCRA's ability to moderate grain floor prices across Sudan is limited by low state government capacity to fund and coordinate the regional distribution of food, (and by interference of politics in the destination and use of the food). Under current SCRA policy guidelines, state governments are responsible for transporting grain reserves from SCRA's storage warehouses to their local market. Since many of Sudan's state governments lack fiscal resources, this policy often delays the shipment of food commodities to their intended destination. In some cases, food commodities have been monetized to pay for transportation costs, thus reducing the quantity of food available to local beneficiaries.

¶9. Potential for Collaboration: The establishment of a transparent information-sharing network between SCRA and the international humanitarian community has the

potential to facilitate market surveillance and improve efficiency of food assistance activities throughout Sudan. To date, SCRA's operations have not been disclosed to the international community. Thus, SCRA food distributions do not enter into discussions surrounding food assistance operations in Sudan. Given its poor reputation for controlling and limiting NGO activities in Sudan, the Humanitarian Aid Commission (HAC) surprisingly employs several technical experts who could be encouraged to assist in building these linkages. Given WFP's impending ration cuts which will likely result in rising food prices in areas like Darfur, the role of the SCRA in stabilizing market prices becomes more important. Opening a dialogue with SCRA, potentially through technical experts working for the HAC, might be one way to move this dialogue forward.

STEINFELD